COMPANY RESULTS

Heineken Malaysia (HEIM MK)

2Q25: Below Expectations; Uncertainty Clouds Consumption

Heineken's 1H25 results missed expectations. Overall, 1H25 sales volume declined by a mid-single digit, dragged by persistently soft consumer sentiment and the earlier CNY timing. Going forward, costs are expected to rise slightly as Heineken invests in internal operations. However, while near-term prospects appear muted, we anticipate sales volume picking up, leading up to VMY 2026. Maintain BUY with a lower target price of RM28.10.

1H25 RESULTS

Year to 31 Dec (RMm)	2Q25 (RMm)	qoq % chg	yoy % chg	1H25 (RMm)	yoy % chg
Revenue	**539.7**	**-29.3**	**-4.6**	**1303.4**	**-3.8**
EBITDA	133.6	-30.0	-7.2	324.4	-1.9
EBIT	**110.8**	**-32.4**	**-8.7**	**274.8**	**-4.2**
PBT	109.4	-32.0	-8.8	270.3	-3.9
Net Profit	**83.0**	**-32.1**	**-8.9**	**205.2**	**-4.0**
Core Net Profit	**83.6**	**-31.9**	**-8.3**	**206.3**	**-3.4**
Margin	**%**	**+/- ppt**	**+/- ppt**	**%**	**+/- ppt**
EBIT Margin	20.5	-0.9	-0.9	21.2	21.1
PBT Margin	20.3	-0.8	-0.9	20.8	20.7
Eff. Tax Rate	-24.1	0.0	-0.1	-24.1	-24.1
Net Profit Margin	15.4	-0.6	-0.7	15.8	15.7
Core Net Profit Margin	15.5	-0.6	-0.6	15.8	15.8

Source: Heineken Malaysia, UOB Kay Hian

RESULTS

- **1H25 earnings below expectations.** Heineken Malaysia (Heineken) reported a core net profit of RM206.3m (-3.4% yoy) on revenue of RM1.3bm (-3.8% yoy). This is below expectations, making up only 44% of both our and consensus' forecasts. The negative deviation stemmed largely from a weaker-than-expected sales volume. A 40 sen interim dividend was announced, unchanged yoy.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	2,638	2,797	2,820	2,970	3,075
EBITDA	507	510	566	608	667
Operating profit	424	418	478	518	576
Net profit (rep./act.)	387	467	446	485	502
Net profit (adj.)	387	448	446	485	502
EPS (sen)	128.0	148.3	147.7	160.4	166.3
PE (x)	20.9	18.1	18.1	16.7	16.1
P/B (x)	17.7	15.0	15.0	15.0	15.0
EV/EBITDA (x)	16.2	15.4	14.2	13.3	12.1
Dividend yield (%)	4.8	5.8	5.5	6.0	6.2
Net margin (%)	14.7	16.7	15.8	16.3	16.3
Net debt/(cash) to equity (%)	20.0	9.0	(9.4)	(7.4)	(6.1)
Interest cover (x)	68.2	46.3	174.1	n.m.	n.m.
ROE (%)	93.2	102.5	98.0	106.5	110.3
Consensus net profit	-	-	471	492	507
UOBKH/Consensus (x)	-	-	0.95	0.99	0.99

Source: Heineken Malaysia, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM23.20
Target Price	RM28.10
Upside	+21.1%
(Previous TP	*RM30.00)*

COMPANY DESCRIPTION

Market leader in the malt liquor market, led by key drive brands - lager beer Tiger and Heineken, and stout Guinness Anchor.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	HEIM MK
Shares issued (m):	302.1
Market cap (RMm):	7,009.2
Market cap (US$m):	1,664.9
3-mth avg daily t'over (US$m):	0.6

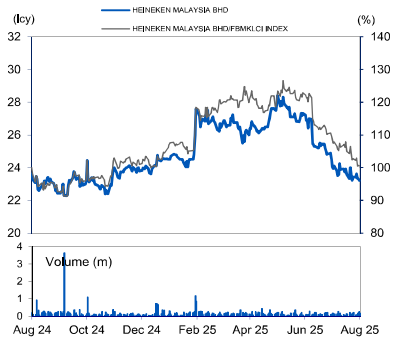
Price Performance (%)

52-week high/low RM27.19/RM20.98

1mth	3mth	6mth	1yr	YTD
(3.7)	(15.0)	(14.6)	0.5	(6.3)

Major Shareholders	**%**
GAPL Pte Ltd	51.0
Virtus Investment Partners	3.6
OCBC	3.1
FY25 NAV/Share (RM)	2.38
FY25 Net Debt/Share (RM)	2.05

PRICE CHART



Source: Bloomberg

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- **Operating costs on the rise.** According to a statement by its parent company, Heineken's sales volume declined by mid-single digit, largely due to the earlier Chinese New Year (CNY) and cloudy consumer sentiment. Uncertainty regarding subsidy rationalisation has kept consumer spending relatively muted resulting in a weaker sales volume for Heineken. The group has also begun investing into its internal processes, developing digital infrastructure for data management and to support operations long-term. Margins were minorly compressed as a result, narrowing by 0.6-0.9ppt. Heineken also appears to have lost 0.6ppts of market share during 1H25; however, they still hold over 60% of the overall market.

STOCK IMPACT

- **Softness in the middle months...** We expect consumer sentiment to remain muted in coming months. The lack of clarity regarding proposed rationalisation of subsidies (eg RON 95) and uncertainty on the macroeconomic side stemming from the US' shifting policy has resulted in consumer spending remaining relatively conservative during 1H25 which we expect will continue into early-2H25. The on-trade segment especially has been pressured by declining footfall as the shift to off-trade consumption post-COVID has remained.
- **...but tourism remains a bright spot.** Tourist arrivals in Malaysia have risen 20.4% yoy from the Jan-to-May period. Arrivals from China in particular saw a 38.8% increase yoy as supportive policies such as the extension of the visa-free travel period has boosted Malaysia's popularity as a holiday destination. We believe tourism remains a bright spot for the sector as we expect volumes to gradually pick up closer to year-end ahead of the Visit Malaysia 2026 (VMY 2026) campaign.
- **Pro-health tax hangs overhead.** The proposed extension of the pro-health tax currently applied to sugary drinks to cover alcohol and tobacco also represents a headwind for the group. Based on our channel checks, details are still in the preliminary phases with players unsure if the extension will be a reclassification of an existing excise or additional tax. Either way, we remain wary of any signals of an effective excise increase; while it is likely to be passed through to consumers, sales volume is expected to be hit as a result.

EARNINGS REVISION/RISK

- We cut our 2025F/2026F/2027F earnings by 4%/2%/2% respectively, imputing lower sales volume and slightly lower margins.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower DCF-based target price of RM28.10.** We use a WACC estimate of 7.8% and terminal growth rate of 2.7% to arrive at our fair value estimates. Our DCF-derived target price implies 19.0x 2025F PE, on par with its five-year mean. The stock offers a solid dividend yield of 5.5-6.2% for 2025-27, based on a 100% payout.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

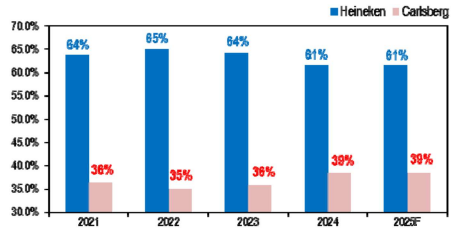
• **Environmental**
- **Water management.** Water efficiency has gradually improved over the years. It is now 16% more efficient relative to 2014.
- **Emissions.** Zero waste to landfill. Aims to reduce CO2 emissions by 40% in production compared with 2008.
• **Social**
- **Product services responsibility.** More than 10% of Heineken's media budget is committed to advocating responsible consumption.
• **Governance**
- **Board gender diversity.** Women are well-represented on the board, with a 57:43 male to-female ratio.
- **Management gender diversity.** Among employees, Heineken has a 50:50 male-to female ratio in middle to senior management positions.

KEY ASSUMPTIONS

Year	2025F	2026F	2026F
Revenue (RMm)	**2820**	**2970**	**3075**
yoy growth (%)	0.8	5.3	3.5
Volume yoy (%)	**-3.0**	**2.0**	**2.0**
ASPs yoy (%)	**3.9**	**3.3**	**1.5**
Core profit (RMm)	**446**	**485**	**502**
yoy growth (%)	-0.4	8.6	3.6

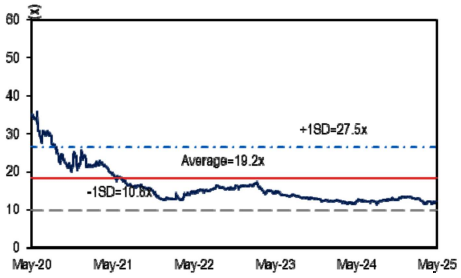
Source: Heineken, UOB Kay Hian

MARKET SHARE ESTIMATES



Source: Carlsberg, Heineken, UOB Kay Hian

12-MONTH FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**2,797**	**2,820**	**2,970**	**3,075**
EBITDA	510	566	608	667
Deprec. & amort.	92	89	90	91
EBIT	418	478	518	576
Total other non-operating income	159	113	119	83
Net interest income/(expense)	(11)	(8)	(7)	(7)
Pre-tax profit	**584**	**583**	**629**	**652**
Tax	(118)	(140)	(151)	(157)
Net profit	467	443	478	496
Net profit (adj.)	**467**	**443**	**478**	**496**

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Other LT assets	582	580	585	591
Cash/ST investment	31	35	24	14
Other current assets	665	683	714	748
Total assets	**1,278**	**1,298**	**1,323**	**1,353**
ST debt	80	80	80	80
Other current liabilities	639	659	684	713
Other LT liabilities	0	0	0	0
Shareholders' equity	20	20	20	20
Minority interest	539	539	539	539
Total liabilities & equity	**1,278**	**1,298**	**1,323**	**1,353**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**523**	**541**	**558**	**582**
Pre-tax profit	584	583	629	652
Tax	(126)	(140)	(151)	(157)
Deprec. & amort.	92	89	90	91
Working capital changes	(30)	10	(9)	(4)
Non-cash items	5	0	0	0
Other operating cashflows	(1)	(1)	(1)	(1)
Investing	**(89)**	**(94)**	**(95)**	**(97)**
Capex (maintenance)	(87)	(95)	(96)	(98)
Others	(1)	1	1	1
Financing	**(446)**	**(443)**	**(478)**	**(496)**
Dividend payments	(387)	(443)	(478)	(496)
Loan repayment	(55)	0	0	0
Net cash inflow (outflow)	**(12)**	**4**	**(16)**	**(11)**
Beginning cash & cash equivalent	**43**	**31**	**35**	**19**
Ending cash & cash equivalent	**31**	**35**	**19**	**9**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	18.5	20.2	20.3	21.2
Pre-tax margin	20.9	20.9	21.1	20.8
Net margin	16.7	15.9	16.0	15.8
ROA	42.1	41.6	43.5	44.6
ROE	102.5	102.2	108.3	112.4
Growth				
Turnover	6.0	4.7	4.9	5.3
EBITDA	(1.6)	18.6	5.3	9.9
Pre-tax profit	14.4	4.8	5.9	3.9
Net profit	20.7	(0.3)	5.9	3.9
Net profit (adj.)	15.8	3.9	5.9	3.9
EPS	15.8	3.9	5.9	3.9
Leverage				
Debt to total capital	14.8	14.8	14.8	14.8
Debt to equity	14.8	14.8	14.8	14.8
Net debt/(cash) to equity	9.0	8.4	10.3	12.3
Interest cover (x)	45.3	78.8	84.1	96.3

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